

WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER

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BRIAN C. McNEIL
EXECUTIVE SECRETARY

MARK SENDROW
DIRECTOR

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ARIZONA CORPORATION COMMISSION

OPEN MEETING ITEM

2001 AUG 15 A 11:01
AZ CORP COMMISSION
DOCUMENT CONTROL

MEMORANDUM

TO: Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer

NEW

Arizona Corporation Commission
DOCKETED

AUG 15 2001

FROM: Mark Sendrow *MS*
Director of Securities

DOCKETED BY	<i>AT</i>
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DATE: August 13, 2001

RE: Proposed Consent Order Against Respondents CRT Stable No. 1, L.L.C. and Toni Lee Richardson; In the matter of CRT Stable No. 1, L.L.C., et al. (Docket No. S-03419A-01-0000)

CC: Brian C. McNeil, Executive Secretary

Attached is a proposed Order to Cease and Desist, Order for Administrative Penalties, and Consent to Same By Respondent CRT Stable No. 1, L.L.C. ("CRT1"), and Respondent Toni Lee Richardson ("Richardson"). The Order requires CRT1 and Richardson to cease and desist from violations of the Securities Act of Arizona and to pay administrative penalties in the total amount of \$2,500.00.

Beginning in approximately March 1998 and continuing through at least July 1998, Respondents offered or sold, within or from Arizona, membership interests in CRT1, by means of an Internet web site at <http://www.crt-stable.com/>. CRT1 was a race-horse syndication organization, that is, it owned and raced thoroughbred horses. Each participant in CRT1 was considered a part-owner of the horses owned by the company. CRT1 was a New York limited liability company, not authorized to do business in Arizona. The management of CRT1 was reserved to Coordinators, who formed a management committee; the company was not member-managed. More than 105 persons invested a net total of approximately \$104,450.00 in CRT1. (This figure does not take into account the amounts remaining to be distributed to the members of CRT1 as a result of the recent dissolution of the company.) CRT1 recently disposed of all of its assets and is no longer doing business. Approximately \$14,500.00 remains to be distributed to its members, subject to verification that all taxes due to the state of California have been accounted for and paid.

The proposed Order finds that CRT1 and Richardson have offered or sold unregistered securities within or from Arizona, in the form of membership interests in CRT1. The proposed Order also finds that the Respondents have offered or sold securities without being properly registered to make such sales.

The proposed Order requires CRT1 and Richardson to cease and desist from any further violations of the Securities Act and to pay an administrative penalty in the total amount of \$2,500. The proposed Order also requires CRT1 to provide the Division with proof that all assets of CRT1 have been liquidated and that investors have been offered a distribution of all remaining funds available after sale of the racehorses and payment of all debts of CRT1. The proposed Order further requires that Respondents must provide the Division with proof that they have distributed all funds currently being held by them pending a final determination of the amount of taxes owed by CRT1 to the State of California, within sixty days after that final determination is received by Respondents.

The Division recommends this proposed Order on the following grounds: Upon discovering they might be in violation, the Respondents fully cooperated with the Division's investigation. Further, the Division found no evidence of any improper use of the funds invested in CRT1. Moreover, Richardson has assured the Division that she does not intend to promote any further race-horse syndication activities, whether or not such activities may be exempt from regulation as securities.

Originator: Kathleen Coughenour DeLaRosa

AG Assigned: Moira McCarthy

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 WILLIAM A. MUNDELL
4 Chairman
5 JIM IRVIN
6 Commissioner
7 MARC SPITZER
8 Commissioner

9 In the matter of

10 CRT STABLE NO. 1, L.L.C.
11 3600 South Rena Road
12 Tucson, Arizona 85735

13 TONI LEE RICHARDSON
14 3600 South Rena Road
15 Tucson, Arizona 85735

16 Respondents.

)
) DOCKET NO. S-03419A-01-0000

)
) DECISION NO. _____

) **ORDER TO CEASE AND DESIST,**
) **ORDER FOR ADMINISTRATIVE**
) **PENALTIES, AND CONSENT TO**
) **SAME BY RESPONDENT CRT**
) **STABLE NO. 1, L.L.C., AND**
) **RESPONDENT TONI LEE**
) **RICHARDSON**

17 RESPONDENT CRT STABLE NO. 1, L.L.C. and RESPONDENT TONI LEE

18 RICHARDSON ["RESPONDENTS"], elect to permanently waive their right to a hearing and
19 appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801, *et seq.*
20 ("Securities Act") with respect to this Order To Cease And Desist, Order for Administrative
21 Penalties, and Consent to Same ("Order"). RESPONDENTS admit the jurisdiction of the Arizona
22 Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and
23 Conclusions of Law contained in this Order; and consent to the entry of this Order by the
24 Commission.

25 **I.**

26 **FINDINGS OF FACT**

Parties and Jurisdiction

1 1. RESPONDENT TONI LEE RICHARDSON ["RICHARDSON"] is an individual
2 and a resident of the State of Arizona. Respondent has conducted business activities within and
3 from the State of Arizona out of which this action arose.

2. RESPONDENT CRT STABLE NO. 1, L.L.C. ["CRT1"] is a New York limited liability company, doing business within and from the State of Arizona, with its business address at 3600 South Rena Road, Tucson, Arizona 85735. CRT1 is not authorized to conduct business in the State of Arizona as a foreign limited liability company. At all times material herein, RESPONDENT RICHARDSON was a Coordinator of CRT1, authorized to bind the company in business matters.

The Offering

3. Beginning in approximately March 1998 and continuing through at least July 1998, RESPONDENTS offered or sold, within or from Arizona, interests in CRT1. These interests consisted of membership interests in CRT1, which owned one or more thoroughbred racehorses.

4. RESPONDENTS offered or sold the said interests by means of an Internet web site, <http://www.crt-stable.com/>, through which RESPONDENTS offered such interests to members of the public at large.

The Interests in CRT1 Are Securities

5. CRT1 was a limited liability company, with its management reserved to certain Coordinators, who constituted a management committee. The company was not member-managed.

6. CRT1 had more than 100 members.

7. The Operating Agreement for CRT1 provided that all ordinary day-to-day business decisions were to be made by seven Coordinators. The Coordinators were the only members who had authority to bind the company in connection with any business operations.

8. The interests in CRT1 constituted securities under Arizona law.

9. More than 105 persons invested a net total of approximately \$104,450.00 in CRT1.¹

10. CRT1 disposed of all of its assets in 2001 and is no longer doing business; approximately \$14,500.00 remains to be distributed to its members, subject to verification that all taxes have been accounted for and paid.

¹ This figure does not take into account the amounts remaining to be distributed to the members of CRT1 as a result of the 2001 dissolution of the company.

The Offering Violated Arizona Law

11. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

12. RESPONDENTS offered or sold securities within or from Arizona while not registered as a dealer or salesman pursuant to Article 9 of the Securities Act.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. RESPONDENTS offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. RESPONDENTS violated A.R.S. § 44-1841 by offering or selling securities that were unregistered, not the subject of a notice filing under A.R.S. § 44-3321, and not exempt from registration.

4. RESPONDENTS violated A.R.S. § 44-1842 by offering or selling securities while not registered as dealers or salesmen, and not exempt from registration.

5. RESPONDENTS' conduct is grounds for a cease & desist order to be issued pursuant to A.R.S. § 44-2032.

6. RESPONDENTS' conduct is grounds for penalties to be assessed under A.R.S. § 44-2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and the RESPONDENTS' consent to the entry of this Order, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS, their agents,

Decision No. _____

employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS shall provide to the Director of the Securities Division ("Director"), not later than sixty (60) days from the date of this Order, proof that CRT1 is in the process of being dissolved and that a partial distribution has been offered to its members, none of whom has accepted a partial distribution prior to a final tax determination. RESPONDENTS must also file with the Division a list of all investors, including addresses, telephone numbers, the amount each invested, the date of each investment. Within sixty (60) days from the date of a final tax determination, RESPONDENTS must file updated investor lists and proof of distribution including the amount distributed to each investor and the distribution date.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDENTS shall pay an administrative penalty in the amount of Two Thousand Five Hundred Dollars (\$2,500.00), payable to the State of Arizona. Payment shall be made in full by cashier's check on the date of this Order.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
Executive Secretary of the Arizona Corporation
Commission, have hereunto set my hand and caused the
official seal of the Commission to be affixed at the
Capitol, in the City of Phoenix, this _____ day of
_____, 20 .

BRIAN C. McNEIL
Executive Secretary

DISSENT

Decision No. _____

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This document is available in alternative formats by contacting Shelly M. Hood, ADA Coordinator,
voice phone number 602-542-3931, E-mail shood@cc.state.az.us

(KCD)

CONSENT TO ENTRY OF ORDER

1
2 1. TONI LEE RICHARDSON ("RICHARDSON"), an individual, admits the
3 jurisdiction of the Commission over the subject matter of this proceeding. RESPONDENT
4 RICHARDSON acknowledges that she has been fully advised of her right to a hearing to present
5 evidence and call witnesses and RESPONDENT RICHARDSON knowingly and voluntarily
6 waives any and all rights to a hearing before the Commission and all other rights otherwise
7 available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code.
8 RESPONDENT RICHARDSON acknowledges that this Order To Cease And Desist, Order for
9 Administrative Penalties, and Consent to Same ("Order") constitutes a valid final order of the
10 Commission.

11 2. RESPONDENT RICHARDSON knowingly and voluntarily waives any right she
12 may have under Article 12 of the Securities Act to judicial review by any court by way of suit,
13 appeal, or extraordinary relief resulting from the entry of this Order

14 3. RESPONDENT RICHARDSON acknowledges and agrees that she entered into this
15 Order freely and voluntarily and no promise was made or coercion used to induce her to enter into
16 it.

17 4. RESPONDENT RICHARDSON acknowledges that she has been represented by
18 counsel in this matter, she has reviewed this Order with her attorney, and she understands all terms
19 it contains.

20 5. RESPONDENT RICHARDSON neither admits nor denies the Findings of Fact and
21 Conclusions of Law contained in this Order.

22 6. By consenting to the entry of this Order, RESPONDENT RICHARDSON agrees
23 not to take any action or to make, or permit to be made, any public statement denying, directly or
24 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
25 this Order is without factual basis.

26 7. While this Order settles this administrative matter between RESPONDENT

Decision No. _____

1 RICHARDSON and the Commission, RESPONDENT RICHARDSON understands that this Order
2 does not preclude the Commission from instituting other administrative proceedings based on
3 violations that are not addressed by this Order.

4 8. RESPONDENT RICHARDSON understands that this Order does not preclude the
5 Commission from referring this matter to any agency for administrative, civil, or criminal
6 proceedings that may be related to the matters addressed by this Order.

7 9. RESPONDENT RICHARDSON understands that this Order does not preclude any
8 other agency or officer of this state or its subdivisions from instituting administrative, civil or
9 criminal proceedings that may be related to matters addressed by this Order.

10 10. RESPONDENT RICHARDSON agrees not to apply in Arizona for registration as a
11 securities dealer or salesman or for licensure as an investment adviser or investment adviser
12 representative until such time as all penalties under this Order are paid in full.

13 11. RESPONDENT RICHARDSON agrees that until penalties are paid in full,
14 RESPONDENT RICHARDSON will notify the Director of the Securities Division within 30 days
15 of any change in home address or any change in RESPONDENT RICHARDSON's ability to pay
16 amounts due under this Order.

17 12. RESPONDENT RICHARDSON understands that default will render her liable to
18 the Commission for its costs of collection and interest at the maximum legal rate.

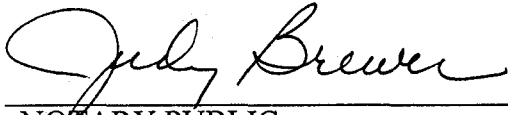
19 13. RESPONDENT RICHARDSON consents to the entry of this Order and agrees to be
20 fully bound by its terms and conditions. If RESPONDENT RICHARDSON breaches any
21 provision to which she has consented, the Commission may vacate this Order and restore this case
22 to its active docket.

23 
24 TONI LEE RICHARDSON

25
26 SUBSCRIBED TO AND SWORN BEFORE me this 24th day of July.

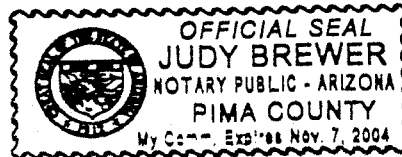
Decision No. _____

1 2001.

2 
3 NOTARY PUBLIC

4
5 My Commission Expires:

6 11-7-2004



Decision No. _____

CONSENT TO ENTRY OF ORDER

1
2 1. RESPONDENT CRT STABLE NO. 1, L.L.C., a New York limited liability
3 company ("CRT1"), admits the jurisdiction of the Commission over the subject matter of this
4 proceeding. RESPONDENT CRT1 acknowledges that it has been fully advised of its right to a
5 hearing to present evidence and call witnesses and RESPONDENT CRT1 knowingly and
6 voluntarily waives any and all rights to a hearing before the Commission and all other rights
7 otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
8 Administrative Code. RESPONDENT CRT1 acknowledges that this Order To Cease And Desist,
9 Order for Administrative Penalties, and Consent to Same ("Order") constitutes a valid final order
10 of the Commission.

11 2. RESPONDENT CRT1 knowingly and voluntarily waives any right it may have
12 under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
13 extraordinary relief resulting from the entry of this Order

14 3. RESPONDENT CRT1 acknowledges and agrees that it entered into this Order
15 freely and voluntarily and that no promise was made or coercion used to induce it to enter into it.

16 4. RESPONDENT CRT1 acknowledges that it has been represented by counsel in this
17 matter, has reviewed this Order with its attorney, and understands all terms it contains.

18 5. RESPONDENT CRT1 neither admits nor denies the Findings of Fact and
19 Conclusions of Law contained in this Order.

20 6. By consenting to the entry of this Order, RESPONDENT CRT1 agrees not to take
21 any action or to make, or permit to be made, any public statement denying, directly or indirectly,
22 any Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is
23 without factual basis.

24 7. While this Order settles this administrative matter between RESPONDENT CRT1
25 and the Commission, RESPONDENT CRT1 understands that this Order does not preclude the
26 Commission from instituting other administrative proceedings based on violations that are not

Decision No. _____

1 addressed by this Order.

2 8. RESPONDENT CRT1 understands that this Order does not preclude the
3 Commission from referring this matter to any agency for administrative, civil, or criminal
4 proceedings that may be related to the matters addressed by this Order.


5 9. RESPONDENT CRT1 understands that this Order does not preclude any other
6 agency or officer of this state or its subdivisions from instituting administrative, civil or criminal
7 proceedings that may be related to matters addressed by this Order.

8 10. RESPONDENT CRT1 agrees that until penalties are paid in full, RESPONDENT
9 CRT1 will notify the Director of the Securities Division within 30 days of any change in address or
10 any change in RESPONDENT CRT1's ability to pay amounts due under this Order.

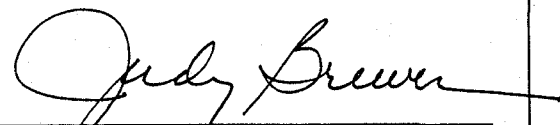
11 11. RESPONDENT CRT1 understands that default will render it liable to the
12 Commission for its costs of collection and interest at the maximum legal rate.

13 12. RESPONDENT CRT1 consents to the entry of this Order and agrees to be fully
14 bound by its terms and conditions. If RESPONDENT CRT1 breaches any provision to which it
15 has consented, the Commission may vacate this Order and restore this case to its active docket.

16 CRT STABLE NO. 1, L.L.C., a New York
17 limited liability company

18 
19 By Toni Lee Richardson
20 Its Coordinator

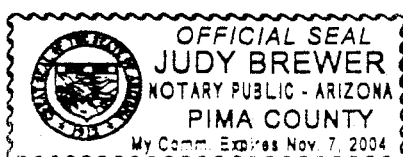
21 SUBSCRIBED AND SWORN TO BEFORE me this 24th day of July,
22 2001, by TONI LEE RICHARDSON, as Coordinator of CRT STABLE NO. 1, L.L.C., a New
23 York limited liability company.

24 
25 NOTARY PUBLIC

26 My Commission Expires:

11-7-2004

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Memorandum

RECEIVED

DATE: August 13, 2001

TO: Nancy Cole
Docket Control

NEW

2001 AUG 15 A 11: 03

AZ CORP COMMISSION
DOCUMENT CONTROL

FROM: Kathleen Coughenour DeLaRosa
Securities Division

RE: CRT Stable No. 1, L.L.C. and Toni L. Richardson
Docket No. S-03419A-01-0000
Assigned Staff

CC: Mabel Aldridge

This is to notify you that the following individuals have been assigned to the above-mentioned case.

- ☒ Mark Sendrow
- ☐ LeRoy Johnson
- ☐ Matthew Neubert

Kathleen Coughenour DeLaRosa (Staff Attorney)

David Leifer (Staff Investigator)

Sharon Fox Assistant Director

Note: The Assistant Attorney General assigned to this matter is: Moira McCarthy.